[redacted] NID 81[redacted]

March 02, 1981

[redacted]

POLAND: Economic Plan

The Kania regime has produced the draft of a comprehensive program intended to stabilize the economy by 1984 but has not yet released it. [redacted]

The program will probably receive at least the cautious approval of Western bankers. Since the plan--as its drafters acknowledge--would reduce the standard of living, it is likely to be opposed by Solidarity, and thus the regime may implement it only partially. [redacted]

Despite some internal inconsistencies, the plan offers a far-reaching program that could substantially improve both economic efficiency and the balance of payments. It recommends organizational and administrative changes--notably, decentralization. It also calls for greater use of taxes, credit policy, and price flexibility in influencing economic activity. [redacted]

The tone of the plan, with its candid emphasis on the need for economic austerity, and some of its specific recommendations probably will generate widespread opposition. Especially controversial proposals--some already tried and rejected--include linking wages and productivity, lowering per capita meat consumption, and raising retail prices. [redacted]

Some of the more provocative aspects of the plan are tempered by other recommendations including one that retail prices should be raised only with public approval and with provision for at least partial compensation for higher food prices. [redacted]

Among the more striking innovations in the plan is a call for a progressive income tax. This proposal probably will encounter opposition from the better paid, more influential workers--coal miners, for example. The plan also recommends a ban on new social programs for the next three years--a suggestion likely to arouse protests from lower paid workers. [redacted]

Some parts of the plan stand a good chance of being adopted because they are likely to raise, or at least not impinge on, living standards. These include measures to encourage private agriculture, switching productive capacity from investment goods to consumer goods, increasing output of service industries, and increasing supplies for small industries and handicrafts

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